



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### AUDIT OF HOTEL OCCUPANCY TAX – COUNTRY INN & SUITES, BEL AIR

**Report Number:**  
2024-A-17E

**Report Date:**  
8/8/2024

Council Members and County Executive Cassilly:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Country Inn & Suites Bel Air/Aberdeen for the period of 7/1/2022 through 5/31/2024. This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2024.

The objective of this audit was to confirm that Hotel Occupancy Tax reported and paid to Harford County was complete. The scope is limited to the sampled hotels' processes for recording revenue and reporting revenue to Harford County in accordance with § 123, Article VII of the County Code. The results of the audit, our findings and recommendations for improvement are detailed in this report.

We would like to thank the members of management for their cooperation during the audit; they have been provided an opportunity to respond to this report; the response(s) provided follows the Issues and Corrective Actions.

Sincerely,

Chrystal Brooks  
County Auditor

### CONCLUSIONS

Our opinion, based on the evidence obtained, is taxable revenues were overreported resulting in an overpayment. This assessment is based on the strengths and weaknesses identified for the operational objectives below.

Business Process Objective	Assessment <sup>i</sup>
Hotel revenue is fully reported to the County	Generally Effective
Tax payments are complete and timely	Effective

## **ISSUES AND CORRECTIVE ACTIONS**

### **2024-A-17E.01 Miscalculated Hotel Occupancy Tax**

Harford County's Hotel Occupancy tax requires collection of a 6% tax "levied on the rent paid for use or occupancy of a room in a hotel in the County", per County Code Section 123-64. Revenues from sources like room service, TV/movie purchases and meeting room usage are not subject to hotel occupancy tax.

When we reviewed the hotel's process for calculating gross revenue, we determined that Country Inn included miscellaneous and meeting room revenue as taxable room revenue to the County resulting in an overpayment of Hotel Occupancy Tax revenue. Additionally, federal-government exemptions, non-transient stays (stays exceeding 30 consecutive days), and room revenue from 3rd party sites who remit occupancy tax to the County should be exempted from the occupancy tax to the County. We noted that the amount paid by the hotel's third-party booking site was slightly less than the amount that the hotel expected.

The errors noted resulted in a net overpayment to the County of \$609.

We recommend the Treasurer's Office notify the hotel operator of the balance to be applied towards future taxes.

**Management Response:** We agree with the County Auditor's findings.

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## **HOTEL OPERATOR'S RESPONSE**

We agree with the findings, yet I would like to share my feelings.

I would like to see that all our calculation should be noted as "effective." I do think the refund of \$609.00 is accurate, but the reason we did pay tax on meeting rooms was due to information received from the county, prior to March 2024. I actually argued that the state does not tax meeting room either, and was told that Harford County does. Basically, I am not contradicting the calculation, but the "grade".

It was a pleasure meeting you.  
Lydia Hoory, Country Inn & Suites

## BACKGROUND, OBJECTIVES, SCOPE, AND METHODOLOGY

Harford County adopted a Hotel Occupancy Tax, via Bill 14-035, for the purpose of expanding its tourism and tourism related activities. The legislation requires hotel operators within the County to collect a 6% tax from all occupants. All hotels within the County are required to register with the County Treasurer and remit the collected occupancy tax monthly.

The audit approach focused on testing the key controls that address management's objectives. Our audit procedures included interviewing personnel, observation and testing as described in the table below.

Process / Control Objective	Scope of Review
<b>Revenue Reporting</b>	
Monthly and Daily occupancy reports agree to the revenue reported	<ul style="list-style-type: none"><li>• Review a sample of monthly payments to confirm the total revenue reported was supported by the daily occupancy reports</li><li>• Agree reported amounts to the taxes that were remitted to the County</li></ul>
Non-financial records support the revenue reported	<ul style="list-style-type: none"><li>• For a sample of dates, confirm the daily occupancy reports were supported by Housekeeping and other records</li></ul>
<b>Tax Payments</b>	
Tax payments are sent to the County on time and completely.	<ul style="list-style-type: none"><li>• Recalculate a sample of payments based on reported revenue</li><li>• Recalculate late fees, if applicable</li></ul>

The hotel operator's management is responsible for establishing and maintaining effective internal controls. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets and compliance with applicable laws, rules, and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected.

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We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Report Distribution:	Audit Team:
Mr. Nick Patel, Owner and Operator, Country Inn & Suites	Chrystal Brooks
Ms. Lydia Hoory, Manager, Country Inn & Suites	CPA, CIA, CGAP, CISA, CGFM, CRMA
Mr. Robert Sandlass, County Treasurer	County Auditor
	Brad DeLauder
	CPA, CIA
	Senior Auditor

<sup>i</sup> Definitions

**Effective:** The design and effectiveness of the internal control environment address key risks. The business unit complies with external laws and regulations, and internal policies, procedures, and guidelines. Business processes are managed effectively resulting in achievement of expected outcomes.

**Generally Effective:** The design and/or effectiveness of the internal control environment generally address key risks; however, the number and severity of findings relative to the size and scope of the business unit being audited indicate that some minor areas of weakness in the control environment need to be addressed. Isolated instances of non-compliance with external laws and regulations, and internal policies, procedures and guidelines may exist. Business processes may not be managed effectively in all areas resulting in reduced achievement of expected outcomes.

**Not Effective:** The design and/or effectiveness of the internal control environment does not address key risks. Non-compliance or historical patterns of non-compliance with key regulatory requirements and internal policies, procedures and guidelines exist which expose the audited entity to financial, reputational, and operational risks. Business processes are not managed effectively and expected outcomes are not achieved.